GLOBALSANTAFE

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March 31, 2005

Mr. Jonathan G. Katz
Secretary, U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

FILED ELECTRONICALLY

Re: File Number 4-497

Dear Mr. Katz,

We would like to thank the SEC for this opportunity to offer comment regarding our initial filing under Section 404 of the Sarbanes Oxley Act of 2002 ("the Act").

By way of background, GlobalSantaFe Corporation is an "accelerated filer" listed on the New York Stock Exchange. We have offices in more than 20 countries. We reported $1.7 billion in revenues for 2004 and have an equity market capitalization of approximately $9.0 billion. We received an unqualified opinion from our external auditors regarding our assessment of internal control over financial reporting and its effectiveness at December 31, 2004. In addition to having no material weaknesses in internal control to report to the investing public, we also had no significant deficiencies to report to our Board of Directors.

We embrace the fundamental intent of the Act. The application and oversight of internal controls is a key responsibility in the management of a public company. Restoring investor confidence in public companies in the light of a number of very visible management failures in recent years is a laudable goal. However, we believe that the actual application and cost of this new standard, as now revealed, do not necessarily support the broadest interests of shareholders and the efficient conduct of business. Therefore, we are very pleased that the Commission is entertaining ideas to improve the application of the Act.

The following are observations from our experience in complying with the Act, with the standards set by the PCAOB, and with requirements imposed by our external auditors during the first year in which filings under Section 404 were required.

1. Duplication of Effort

As currently configured, Section 404 requires that a registrant's management must self-test their internal control systems in order to support their representation as to the operating effectiveness of the controls. The registrant's auditors then must retest a significant number of these same controls in order to form their opinion on management's assessment. While management is clearly responsible for their internal control systems (just as they are for the registrant's financial statements) this very costly duplication is unnecessary. We believe that an independent auditor's opinion on the effectiveness of internal control over financial reporting is alone adequate to serve the needs of investors and the public.

2. Baseline for Materiality

Pretax income is a generally accepted initial baseline for evaluations of materiality within the context of other considerations as described in SAB 99. However, its use as a baseline for determining the significance of accounts and in the evaluation of potential deficiencies has significant weaknesses. Should a registrant's pretax income approach breakeven, virtually any account or any deficiency identified could become significant regardless of the size or volume of the registrant's business.

Other measures, such as revenue, cash flow or assets should receive more weight in these evaluations so that truly inconsequential items do not assume unreasonable importance. We are particularly sensitive to this issue as our business is highly cyclical, and our pretax profit may vary substantially from year to year.

3. Information Technology and General Computer Controls

Auditing Standard No. 2 (the "Standard") lacks specific references to acceptable Information Technology (IT) controls models or requirements, other than in emphasizing the importance of general computer controls overall. In our opinion this is a serious omission, which was evidenced by uncertainty on the part of both registrants and auditors as to how to proceed during testing in 2004.

In our case, our auditors spent as much time testing our IT processes as all of our financial processes combined. We believe this is grossly disproportionate to the number of IT controls which impact financial reporting. Had any recognized standard or set of requirements for IT controls been referenced by the Standard, we believe that this condition would not have occurred. The majority of external auditor findings regarding our IT controls consisted of documentation issues regarding routine automated controls, the operating effectiveness of which was verifiable by observation.

We had issues of scope as well. Our auditor tested and reported minor findings in the processes around general IT administration (for example, job descriptions and help desk management), backup procedures and high level IT governance. In our opinion these processes should have been out of scope in an evaluation of internal controls over financial reporting. We understand that many other registrants had similar experiences regarding IT controls as well.

4. Level of Testing and Relevance of Processes Tested

Based on the audit of our internal controls in 2004 and the experience of companies with which we are familiar, we feel that the interpretation of the Standard by the public accounting firms resulted in testing that was overly broad. We believe that this resulted primarily from the impulse to cover many processes in detail and to identify any potential sources of aggregation. A collateral effect of this effort, however, was that the relative importance of processes and locations became secondary.

We believe that guidance should be given so that measures regarding the significance of accounts and processes are improved to focus examination on the entity’s most critical exposures. The guidance should also ensure that identification of controls as “key” is a defined, discriminatory process in which only the most critical controls are so identified and subjected to testing.

5. Timing of Testing

The Standard explicitly defines the "point in time" at which evaluations of internal control are to be conducted as of the registrant's fiscal year-end. Since most registrants base their fiscal year on the calendar year, this invites a "traffic jam" in which registrants compete for public accounting firms’ resources in order to reach a common filing goal. It appears to us that the same situation will occur every year for the foreseeable future.

Our suggestion is that a rotation of controls audits by registrants be considered, with comprehensive evaluations required in some years and less complex or rigorous evaluations being required in others. This would naturally be based on each registrant’s past performance and the perceived risk of misstatement for each registrant, and would not be unlike the SEC’s plan to review the financial reports of registrants on a two to three year rotation.

In addition to the above, under the current arrangement for assessment of internal control, there exists a stream of deadlines for remediation of deficiencies after which no remedy is considered adequate. These are based on the frequency of performance of the controls. These deadlines do not consider whether the remedy has been put in place but instead establish an arbitrary amount of time needed for the remedied control to be “in operation” before a valid retest can occur. This ensures that deficiencies found close to the end of the year are will almost certainly remain as deficiencies in internal control and be subjected to formal evaluation, whether remedied before year end or not. We do not see a compelling reason why the remediation period for a given control deficiency which has been remedied should not extend beyond year end if a short additional period of time is needed to verify continued operating effectiveness. Also, some controls are binary and systemic – they are either “on” or “off” - and multiple cycles of operation are not necessary to demonstrate operating effectiveness at period end.

6. Use of the Work of Others by the External Auditor

There appears to be a difference of opinion among the public accounting firms as to the degree to which they can rely on the work of others. Some firms feel that they cannot rely on the work of a registrant’s internal auditors and must conduct all of their own testing to verify that management's assessment of effective internal control is adequate. Clarification on this issue in favor of reliance on the work of internal auditors would make the process more cost effective and efficient.

7. Costs of Compliance and Disruption to Operation of the Business

We expended approximately 43,000 direct man hours and $3.7 million to comply with the documentation, testing and evaluation requirements of Section 404 through the end of fiscal 2004. This is exclusive of external auditor time and approximately $0.9 million in fees, and does not account for the burdens placed on our regular staff. In addition, we anticipate that we will maintain approximately 7 to 9 full time staff dedicated exclusively to our compliance under the Act for the foreseeable future. For us, the most financially material item to come out of our Sarbanes Oxley experience was the cost of compliance itself, which was “significant” as compared to our pretax income from continuing operations of $98 million for 2004.

We estimate that our external audit fees have risen by 70% due to the activities of the auditor to evaluate management’s assessment of internal control. We do not foresee much in the way of synergistic benefits with respect to our financial audits in future periods.

We conduct self assessments of controls by approximately 160 management and supervisory employees on a regular basis. We conduct approximately 50 controls audits per year. In general, this has resulted in a stronger and more consistent set of internal controls within our organization. However, this level of testing, as well as the imposition of certain requirements and interpretations that we believe to be unnecessary, has caused considerable additional cost and drain on our resources and unduly disrupts the conduct of our business without a correspondingly significant benefit to the investing public and our shareholders.

8. Conclusion

The sheer magnitude of testing of the internal controls of registrants by the public accounting firms, using their current interpretation of the guidance contained in the Standard and provisions of the Act, guarantees that the COSO credo of "reasonable assurance" of the effectiveness of internal control is not applied. As we have experienced it, the actual benchmark is absolute or nearly absolute perfection in the effectiveness of internal control.

In addition, we have observed that the financial markets have not responded with particular disfavor in the equity valuations of registrants who have disclosed material weaknesses in internal control. Since the investing public is intended to be the primary beneficiary of the provisions of Sarbanes Oxley, we find it interesting and informative that results of poor performance in the Section 404 process have produced so little reaction in the equity markets. At the same time, we do not see any appreciable benefit in the markets for those companies, such as ourselves, that have demonstrated high levels of compliance with the provisions of the Act. We believe that this suggests that investors must generally have a higher threshold of materiality than is being utilized in applying the Act.

We would not like to see any back-tracking on the intent of Section 404 of the Act and the transparency it provides. However, we urge the Commission and the PCAOB to consider means of making the Act, the Auditing Standard and the application and interpretation of these rules more reasonable, more cost effective and more consistently applied. We urge the implementation of rules that will spread the burden of compliance over time and target those aspects of business process that are truly consequential.

We again thank the SEC for the opportunity to comment on these important issues, and will be happy to make our staff available to answer any questions that you might have.

Sincerely,

/s Michael R. Dawson

Michael R. Dawson
Vice President and Controller
GlobalSantaFe Corporation
Houston, Texas